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SUBJECT: COSTA RICAN NOMINATION FOR THE SECRETARY OF STATE'S
AWARD FOR CORPORATE EXCELLENCE

REF: A) STATE 082043 B) STATE 064726

11. Embassy San Jose is pleased to nominate Starbucks for the Secretary of State's Award for Corporate Excellence (ACE) in the

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Multinational Enterprise (MNE) category (refs A and B). The goal of the ACE is to 1) highlight the good works of the winners, and 2) inspire others to follow their example. Few firms have corporate social responsibility so intertwined with the company's DNA, and the ability to so widely spread that message. It is telling that almost half of their one-page "Company Fact Sheet" (http://www.starbucks.com/aboutus/Company_Fact_Sheet_Feb06.pdf) is devoted to Corporate Social Responsibility. They also publish a "Corporate Social Responsibility Annual Report" that describes the firm's projects in great detail. It can be reviewed at <http://www.starbucks.com/aboutus/csrannualreport.asp>. They also take advantage of their ability to expose hundreds of thousands of people a day to their corporate responsibility message in more than 7,300 stores. Post nominates Starbucks specifically for implementing new purchasing and technology assistance programs within Costa Rica that have changed the lives of 11,000 local coffee growers. Both programs demonstrate Starbucks' good corporate citizenship, responsible environmental stewardship policies, and commitment to improving the overall technical capabilities of Costa Rican coffee growers, the company's primary coffee-producing partner.

The Starbucks Story

22. Producing coffee beans, the second most valuable commodity in the world, employs an estimated 25 million people worldwide. However, the coffee market can be very volatile, often impoverishing farmers and creating incentives for coffee suppliers to cut costs at the expense of the environment. During the 1990s, market trends radically lowered the price companies were willing to pay farmers, so that in 2003 wholesale coffee prices were at their lowest levels in 100 years. Starbucks implemented two main programs to assist farmers hurt by erratic coffee prices: the Starbucks Coffee Agronomy Company - Farmer Support Center, located in Costa Rica, and the Coffee and Farmer Equity (C.A.F.E.) Practices. Due to Starbucks' large market position, the company can play an especially important role in steering market decisions towards more sustainable purchasing practices, especially in their primary supplying country, Costa Rica.

C.A.F.E. Practices Implemented

33. The C.A.F.E. Practices aim to create a sustainable future for coffee farmers and their communities. Significantly, they are the result of a collaborative effort between coffee growers and Starbucks. In 2001, Starbucks, together with Conservation International (CI), conducted a two-year pilot project and then

applied their own experience and stakeholder feedback to develop coffee buying standards. To receive the C.A.F.E. Practices approval, suppliers must pass a two-part assessment. First, all coffee farmers and suppliers participating in C.A.F.E. Practices must meet minimum requirements of coffee quality and economic transparency. Next, they are scored on critical social, economic, environmental and quality criteria for growing and processing coffee. The criteria are rigorous, quantitative, independently verified, and can be applied to any part of the coffee supply chain. Finally, the farmers and suppliers that score high are offered preferred supplier status, long-term contracts and other economic incentives.

C.A.F.E. Practices Benefit Local Communities, Receive Acclaim

14. Implementing C.A.F.E. Practices helps coffee farmers invest in and sustain their farms for the future. By producing high-quality coffee, farmers are better positioned to earn more and have greater economic security, enabling them to invest in their farms and communities. Starbucks has witnessed farmers who benefit from C.A.F.E. Practices giving back to their communities through projects such as health clinics and education programs. C.A.F.E. Practices have received global recognition, winning the 2005 World Environment Center Gold Medal Award for International Corporate Achievement in Sustainable Development and the Specialty Coffee Association's 2005 Sustainability Award. Also, C.A.F.E. Practices resulted in Starbucks' invitation to join the UN Global Compact in 2004, a voluntary international network of corporations, UN agencies, trade unions and NGOs that support worker rights and environmental sustainability. In Costa Rica, C.A.F.E. Practices served as a model for the government when it created a national Sustainability Seal for local coffee producers who use sustainable methods.

Starbucks Educates and Supports Coffee Growers

15. The Starbucks coffee Agronomy Center, opened in 2004,

provides coffee growers with local support. The Center houses a team of experts in quality coffee production and sustainability practices. This team works closely with coffee farmers and suppliers in Central America, Mexico and South America, visiting farms to help build long-term mutually beneficial relationships and help farmers improve the quality of their coffee while lessening environmental impact. Starbucks' presence in Costa Rica allows them to engage directly with local suppliers, gain ongoing feedback and collaborate on business best practices that help ensure local farms will be strengthened for the future. In Costa Rica over 11,000 farmers have been approved under C.A.F.E. Practices program; the majority of these are small holders and members of a cooperative and all of them have received some sort of assistance from the Farmer Support Center.

Starbucks Offers Affordable Credit and Looks to Expand Projects

16. Starbucks also provides access to affordable credit to Costa Rican coffee farmers. This policy is invaluable to farmers who must deal with the uncertainties of the upcoming year's coffee yield as well as the uncertainties of the world market for coffee. Affordable credit helps farmers weather the downswings of the market to they can survive until market upswings, as well as provides farmers with the ability to borrow money in order to make technological improvements. Due to the success of the Costa Rica Agronomy office, Starbucks is currently investigating the expansion of the Agronomy Center model and further implementation of C.A.F.E. Practices in other countries to spread sustainable best practices throughout industry. Since the price of coffee depends on the worker and environmental standards of other countries, ensuring C.A.F.E. Practices worldwide benefits Costa Rican farmers as well.

17. Comment: Post cannot think of another U.S. firm that has served as a better ambassador in Costa Rica for the values Americans hold dear. Starbucks has directly transformed the lives of 11,000 farmers while raising social, environmental, and technological standards. The ACE would not be Starbucks' first recognition for the good works they do, the World Environment

Center awarded Starbucks their 2005 World Environment Center Gold Medal for International Corporate Achievement in Sustainable Development <http://www.wec.org/docs/web/2005pressrelease.pdf>. For the reasons described above, the Embassy is pleased to nominate Starbucks for the Secretary's Corporate Service Award in the Multinational Enterprise (MNE) category.